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AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
VALLEY TELEPHONE COOPERATIVE, INC.,  
AN ARIZONA CORPORATION, FOR A  
HEARING TO DETERMINE THE EARNINGS  
OF THE COMPANY, THE FAIR VALUE OF  
THE COMPANY FOR RATEMAKING  
PURPOSES, AND TO INCREASE  
RESIDENTIAL RATES AS NECESSARY TO  
COMPENSATE FOR THE RATE IMPACTS OF  
THE FCC'S USF/ICC TRANSFORMATION  
ORDER

DOCKET NO. T-01847A-13-0457

**RESPONSE TO PROCEDURAL  
ORDER**Arizona Corporation Commission  
**DOCKETED**

JUL 31 2014

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1 In the USF/ICC Transformation Order, the Federal Communications Commission  
2 ("FCC") adopted a rate floor "to ensure that states are contributing to support and advance  
3 universal service and that consumers are not contributing to the Fund to support customers  
4 whose rates are below a reasonable level."<sup>1</sup> To implement this requirement, the Wireline  
5 Competition Bureau was to survey urban rates for fixed voice and fixed broadband residential  
6 services.

7 On December 19, 2013, Valley Telephone Cooperative, Inc. ("Valley Telephone") filed  
8 an application in the above-captioned docket to raise rates to a level that was anticipated to be  
9 sufficient to comply with the USF/ICC Transformation Order and avoid losing high-cost loop  
10 support.

11 On March 20, 2014, the Bureau announced that the average local end-user rate plus state  
12 regulated fees of the surveyed incumbent LECs in urban areas is \$20.46. Under the  
13 Transformation Order, this would have required rural telecom companies to set residential rates

<sup>1</sup> Connect America Fund, WC Docket No. 10-90, Order, 28 FCC Rcd 4242 (Wireline Comp. Bur./Wireless Tel. Bur. 2013) (Rate Floor Order).

1 at or above this level by June 1, 2014, or federal high-cost loop support would be reduced dollar  
2 for dollar by the difference between the approved rates and the \$20.46 rate floor.

3 A hearing was held on March 27, 2014, concerning Valley Telephone's application to  
4 increase residential rates in response to the Transformation Order. At the hearing Valley  
5 Telephone asked that its residential rates be raised to the \$20.46 rate floor by the then effective  
6 June 1, 2014 deadline set by the FCC.

7 On April 23, 2014, the FCC met and announced that it intended to delay the June 1, 2014,  
8 deadline and to further phase in rate increases. Valley Telephone and ACC Staff recommended  
9 that the pending rate application be delayed until the FCC issued a final order containing detailed  
10 guidance.

11 On June 10, 2014, the Federal Communications Commission ("FCC") issued Order FCC  
12 14-54. Among other things, FCC 14-54 modified § 54.318(b) of *USF/ICC Transformation*  
13 *Order* as follows:

14 Therefore, we waive the application of section 54.318(b) for lines reported July 1,  
15 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates  
16 as of December 1, 2014), and thereafter, through June 30, 2016, we waive section  
17 54.318(b) to the extent reported lines are greater than or equal to \$16. For the  
18 period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to  
19 the extent reported rates are greater than or equal to \$18, or the 2016 rate floor,  
20 whichever is lower. For the period between July 1, 2017, and June 30, 2018, we  
21 waive section 54.318(b) to the extent reported rates are greater than or equal to  
22 \$20, or the 2017 rate floor, whichever is lower.<sup>2</sup>

23 Through a Procedural Order dated July 1, 2014, Judge Rodda asked the parties to respond  
24 to the following questions:

- 25 1. Specifically, what rates and time frame for implementation, do the parties now  
26 recommend?
- 27 2. Can, or should, the Commission implement the recommended rates without re-  
28 opening the hearing?
- 29 3. Given intervening events and any new recommendations, have these matters been  
30 adequately noticed?

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<sup>2</sup> Order FCC 14-54, ¶ 80, as corrected by Second Erratum dated July 11, 2014.

4. What are the procedural recommendations for addressing future rate increases beyond December 1, 2014?

Valley Telephone hereby responds to each of the four questions.

1. *Specifically, what rates and time frame for implementation, do the parties now recommend?* Valley Telephone recommends that its residential rates be raised in accordance with the following schedule:

- Effective on and after December 1, 2014, to \$16.
- Effective on and after June 1, 2016, to the lower of \$18 or any new national benchmark.
- Effective on and after June 1, 2017, to the lower of \$20 or any new national benchmark.

2. *Can, or should, the Commission implement the recommended rates without re-opening the hearing?* The Commission can and should implement the recommended rates without reopening the hearing. The Commission has received all evidence needed to find that the recommended rates are just and reasonable.

3. *Given intervening events and any new recommendations, have these matters been adequately noticed?* The previously provided notice was adequate. It provided that Valley was “requesting authority to increase its residential monthly basic local access line rate from \$14.00 to the lower of \$19.00 or the Federal Communications Commission’s (“FCC”) approved residential rate floor.” It further provided that:

The Commission is not bound by the proposals made by the Company, Staff, or any intervenors. Therefore, the final rates approved by the Commission may be higher or lower than the rates requested by the Company. (Emphasis added.)

The recommended rates would be lower than the originally requested \$19 maximum rate until at least June 1, 2017. Even after June 1, 2017, the recommended rate could be only \$1.00 more than the originally requested \$19 maximum. This possibility was clearly provided for in the notice, so the expense of additional notice is unwarranted

4. *What are the procedural recommendations for addressing future rate increases beyond December 1, 2014?* The Recommended Opinion and Order should authorize each of the

1 requested rate increases. The companies should be required to provide notice of each rate  
2 increase before it is implemented.

3 Respectfully submitted on July 31, 2014.

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